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ABSTRACT

This presentation has a four-fold purpose: (1) to highlight the importance of the arts in New York City; (2) to mention the major problem areas facing cultural institutions today; (3) to examine the contribution to New York City cultural institutions made by Federal, State, and local agencies; and (4) to suggest a strategy that has been developed for the expenditure of the New York Community Trust's all-purpose funds. The importance of New York City as the nation's cultural capital is underscored by mention of the wide variety of cultural experiences available in the city, by indicating the numbers of people who attended events or visited cultural institutions in 1976, and by estimating the amount of income generated by cultural activities. New York City's cultural institutions find the majority of their support in earned income with additional support from governmental and private agencies. Cultural institutions are currently facing a financial crisis resulting in operation at a deficit. These institutions do receive financial support from the National Endowment for the Arts, the New York State Council on the Arts, and the New York City government. These funds are for the most part advised and designated, with only 12% considered all-purpose. Recommendations for use of New York Community Trust funds for improving the administrative, financial, and artistic conditions of New York's cultural institutions are made. (MK)

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OCCASIONAL PAPER SERIES

The New York Community Trust

ARTS & CULTURE IN NEW YORK CITY:

A FOUNDATION'S ROLE

As Presented to the New York City
Commission for Cultural Affairs

June 1978

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NYCT

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ABOUT THE NEW YORK COMMUNITY TRUST:

The New York Community Trust (NYCT) is a public nonprofit organization. The NYCT is the country's largest community foundation. Over fifty years old, the NYCT administers nearly 450 individual charitable funds. Its primary focus is on the New York Metropolitan region.

ABOUT THE OCCASIONAL PAPER SERIES:

The NYCT has long been interested in serving the community in ways beyond its traditional role of providing funds for worthy philanthropic projects. Under the auspices of its Distribution Committee and Director, Herbert B. West, the Trust's staff has sought out the opportunity to provide selectively a needed public service or to be a catalyst for worthwhile projects. The Occasional Paper Series is an effort to share with the community some of what we have learned from these projects.

Other papers in this series are:

A Discussion of the Possible Cash Flow Problems of Nonprofit Voluntary Agencies, January 1976
Technical Assistance in New York City, November 1976
The New York City Fiscal Situation, April 1977
The Economic Impact of the Blackout--The First 3 Weeks, August 1977
Housing in New York City: A Role for the New York Community Trust, October 1978
Health Care in New York City: A Role for the New York Community Trust, February 1979
A Survey of Arts-in-Education in New York City, April 1979

This report was prepared by Richard A. Mittenthal, Program Officer, with the assistance of Terry W. McAdam, Assistant Director.

I. INTRODUCTION

Few people would argue with the notion that New York City is the major cultural center in the United States. In fact, people all over the world look to our City for creativity, leadership and standard setting in the performing and visual arts.

As New York's community foundation, the New York Community Trust has a special responsibility to try, within its limited resources, to help our City remain preeminent.

This presentation will:

- Highlight the importance of the arts in New York City;
- Mention the major problem areas facing institutions today;
- Examine the contribution to City institutions made by Federal, State and City agencies;
- Suggest a strategy that has been developed for the expenditure of the New York Community Trust's all-purpose funds.

"As one of the world's great artistic and cultural centers, New York sets standards of national excellence with its cultural events, resources and facilities." So began the 1974 Report of the Mayor's Commission on Cultural Policy. The facts bear out the claim:

- The City is the home of several institutions considered to be national treasures. These include: the Metropolitan Opera; the Metropolitan Museum of Art; the Museum of Modern Art; the American Museum of Natural History; the New York Philharmonic; the New York City Ballet; the Bronx Zoo; and the New York and Brooklyn Botanical Gardens.

- The City generously shares its resources with people throughout the world. In a study of the period July 1, 1974 to June 30, 1976, the City Cultural Affairs Commission found that:

  --In the United States alone:

  322 cities in 46 states (plus the District of Columbia) received loans from 18 New York City Museums.

  501 cities in 46 states (plus the District of Columbia) were visited by 28 New York City performing arts organizations.

  --Throughout the world:

  149 cities in 41 countries (plus Puerto Rico) received loans from 14 New York City museums.

  110 cities in 41 countries (plus Puerto Rico and Hong Kong) were visited by 11 New York City performing arts organizations.

- New York is the center of the dance world. More than 150 professional companies are based here. This is just less than half of all the companies in the United States. Further, nine out of the ten leading modern dance companies make New York their home.

- The City is the center of the nonprofit professional theater with well over 100 organizations producing more than 500 different plays each year. This network often attracts the best plays being produced at resident theaters across the country, and at the same time, serves as a major source of new plays for both the resident theaters and commercial theaters in New York. The City is home to two of the most important theaters in the world--the New York Shakespeare Festival and La Mama.

- New York is the center of the commercial theater, in 1976 generating ticket-selling revenues of $93.5 million and serving as a showcase for great plays and performers from all over the world.

- The City receives the largest dollar amount of support of any municipality in the country from the National Endowment for the Arts, and over 65 percent of all monies awarded by the New York State Council on the Arts.

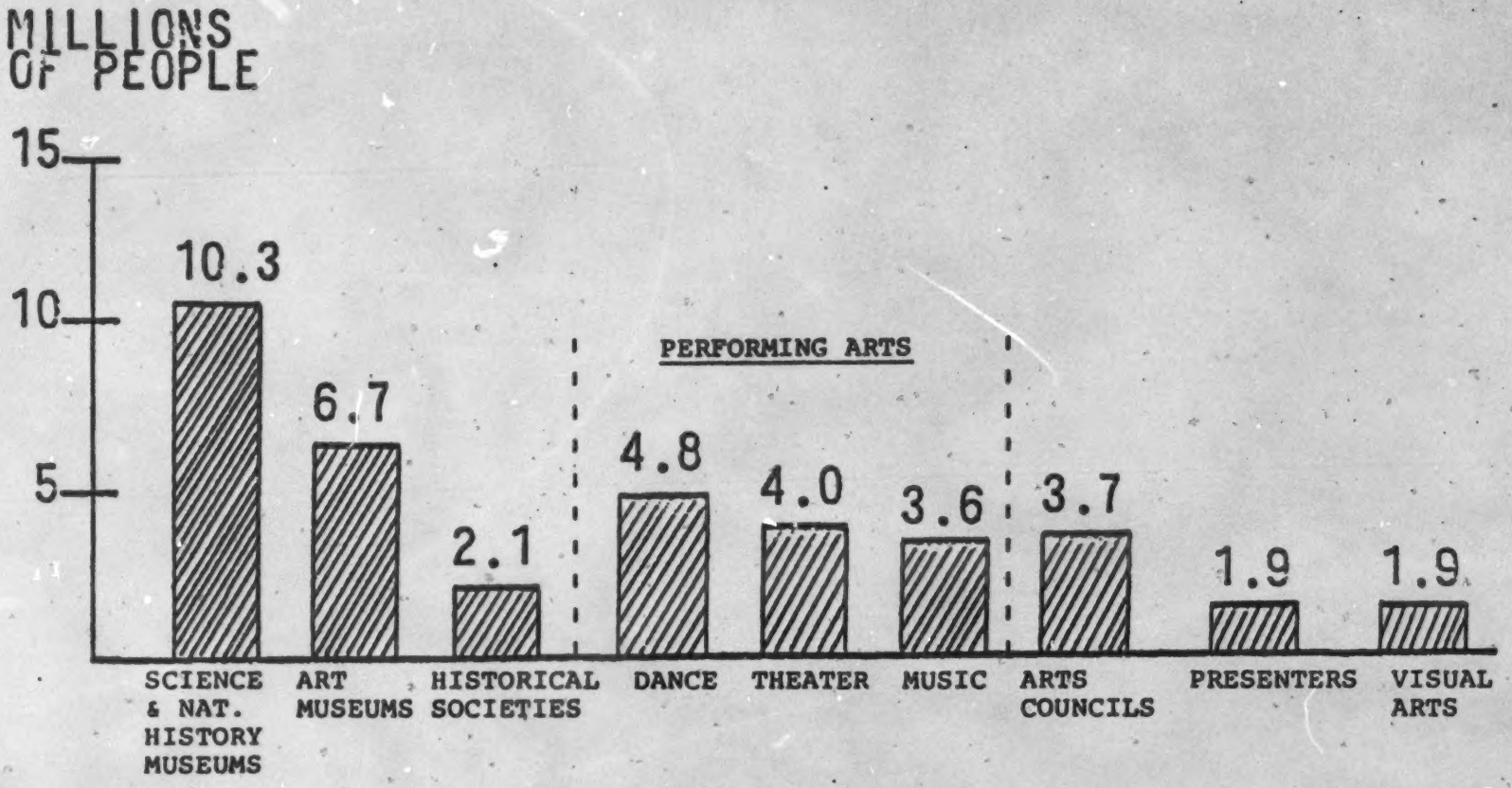
- The City is headquarters for the three major commercial television networks and the home of the largest and most widely viewed public television station.

III. THE TYPES OF INSTITUTIONS THAT EXIST

In a study done in 1974 by the Mayor's Committee on Cultural Policy, it was estimated that there were more than 1,500 cultural institutions and organizations within the City including: 150 dance companies; 170 nonprofit theaters; and 110 museums, zoos, libraries and gardens. There are additionally countless small film groups, literary magazines, choral groups, chamber ensembles, community arts groups, and arts service organizations.

Institutions range in size from the New York Shakespeare Festival and the Metropolitan Opera with budgets in excess of $30 million to small art galleries and community arts organizations with budgets of a few thousand dollars.

TOTAL ATTENDANCE AT ARTS & CULTURAL INSTITUTIONS (1976)



IV. ATTENDANCE

In 1976, over 39,000,000 people attended events at or visited New York City cultural institutions (see chart above).

- Science and natural history museums were the most heavily attended followed by art museums and historical societies.
- In the performing arts, dance was at the top followed by theaters and music.
- Other categories that attracted large numbers of people were events sponsored by arts councils, events sponsored by presenters--for example, Lincoln Center and the Brooklyn Academy of Music, and exhibits at visual art organizations--mainly art galleries.

V. THE ECONOMIC IMPACT OF THE ARTS IN NEW YORK CITY

In 1974, the Mayor's Committee on Cultural Policy estimated that cultural activities and related industries generated over $3 billion in expenditures and receipts and contributed about $102 million in local tax revenues. This amounts to about 7 percent of the total income generated in the City. Several factors are worth mentioning in regard to this contribution:

- Direct Spending --Nonprofit cultural organizations themselves spend $193 million annually on salaries, supplies and maintenance. This generates estimated tax revenues of $8 million.

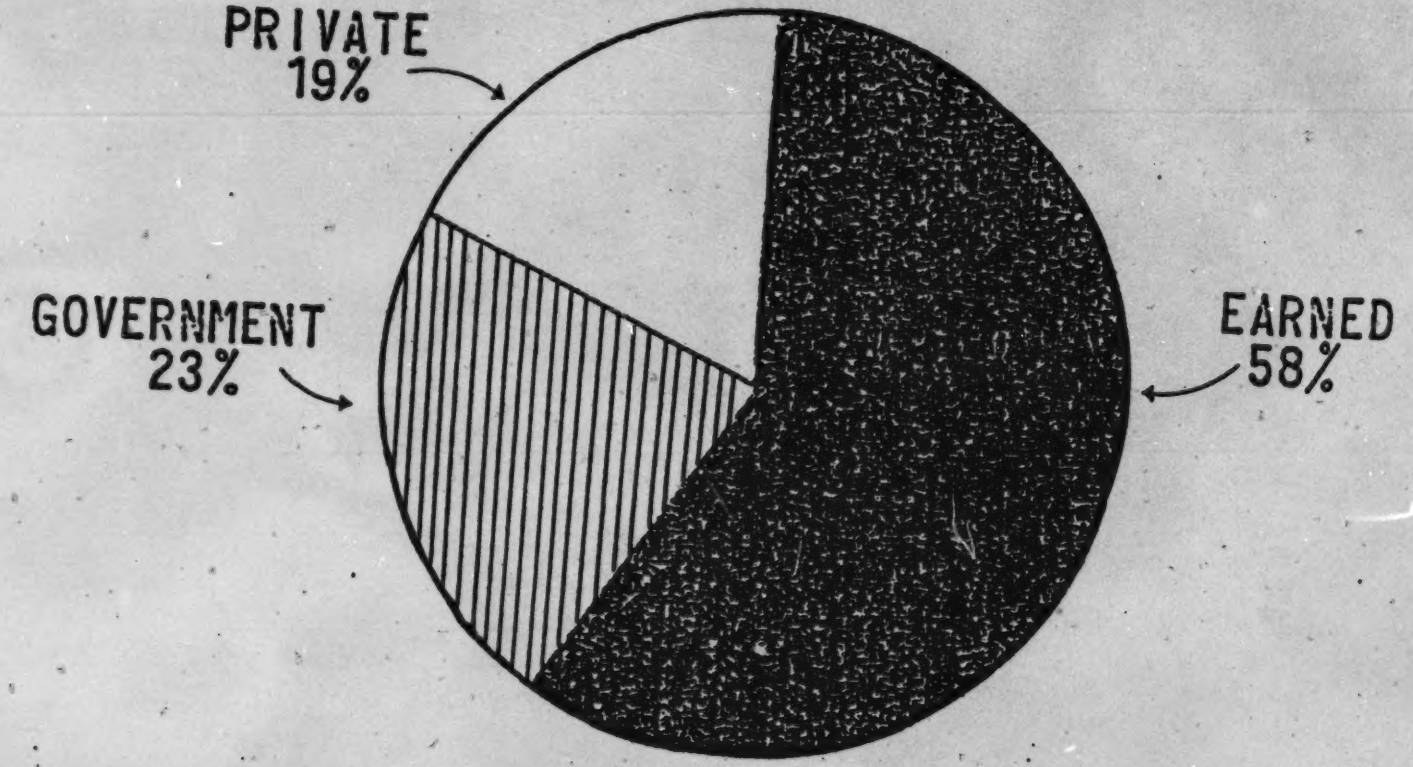
- Tourism --Sixteen million visitors per year make tourism the second biggest industry in the City with revenues of $1.6 billion a year. Several recent studies have pointed out that the primary reasons for visiting New York are its "cultural opportunities," specifically, museums, theater, art galleries, opera, zoos, and botanic gardens. One study found that out-of-town visitors to the Metropolitan Museum of Art can be expected to spend $3.7 million a week on goods and services while in New York. Another showed that $184,000 of "outside money" was spent in New York as the result of one night's performance of the Metropolitan Opera at Lincoln Center.

- Corporate Retention --In a study on corporate relocation for the Massachusetts Department of Commerce and Development, the Arthur D. Little Company found that the State's "environment for culture" was a "major attraction" to firms that were thinking about moving. Two years ago, the American Express Company announced its decision to stay in New York and build a new headquarters here. Howard Clark, Chairman, in a news conference with Governor Carey and Mayor Beame in attendance, cited New York's preeminence as "the center of art and commerce" as one of the main reasons for the decision. Further, specific industries thrive in New York because their existence depends on a talent pool and a concentration of services. Examples include film making, recording, fashion, advertising, publishing and broadcasting.

- **Real Estate Values** --The total value of nonprofit arts & cultural institutions in New York City approximates $5 billion in assets, properties and holdings. This is an impressive number in itself. Further, when major nonprofit institutions own their facilities, the value of the surrounding neighborhood is enhanced. Many people feel that Lincoln Center is responsible for the fact that, since 1956, over $1 billion of new construction has been undertaken in the Lincoln Square area.

- **Broadway** --A 25-day musicians' strike in the fall of 1975 provided some surprising information about the contribution of the commercial theater to the City's economy. The 70 percent drop in theater attendance forced taxi receipts down $117,000 a week, cost parking lots $50,000 and lost restaurants about half a million dollars. From this experience a team of researchers calculated that, in addition to the $43 million the theater industry contributes directly--in salaries and purchased materials--estimated annual theater-related receipts are as follows: taxicabs, $10.3 million; parking, $4.3 million; restaurants, $45 million; and air tours involving hotel stays, $3.9 million. It should also be mentioned that the figures are based on a season when the Broadway gross was $57 million. Last year's ticket sales totaled $93.5 million and it is reasonable to assume that the increase in the numbers of tickets sold (8.6 million vs. 7.2 million) had a corresponding impact on the other segments of the economy.

SOURCES OF SUPPORT FOR NYC ARTS & CULTURAL INSTITUTIONS (1976)



VI. HOW NEW YORK CITY INSTITUTIONS ARE FINANCED

In 1976, the New York State Council on the Arts commissioned a study of the arts industry in New York State. A separate set of statistics was compiled for New York City illustrating the major components of an organization's income.

Total income is customarily broken down into two categories--earned and unearned. Earned income consists of ticket sales, admission fees, subscriptions, memberships, and sales of merchandise. Unearned income consists of contributions from private sources--individuals, foundations, and corporations--and government.

As you can see on the chart opposite, the majority of support for New York City institutions comes from earned income. It is substantial but organizations are still dependent on private sources--individuals, foundations, and corporations--for 19 percent, and on government--Federal, State, and City--for 23 percent.

VII. THE FINANCIAL CRISIS IN THE ARTS

There are several problem areas in the world of arts and culture but most boil down to not having enough money. It is ironic that, at a time when more Americans than ever are expressing a desire for cultural enrichment, many of our major cultural institutions are in dire straits.

- Problems are particularly severe in the larger eastern cities, including, of course, New York, as demographic patterns continue to change and industry continues to depart. The situation is further complicated by the fact that it is in these same cities that we find the highest concentration of cultural resources.

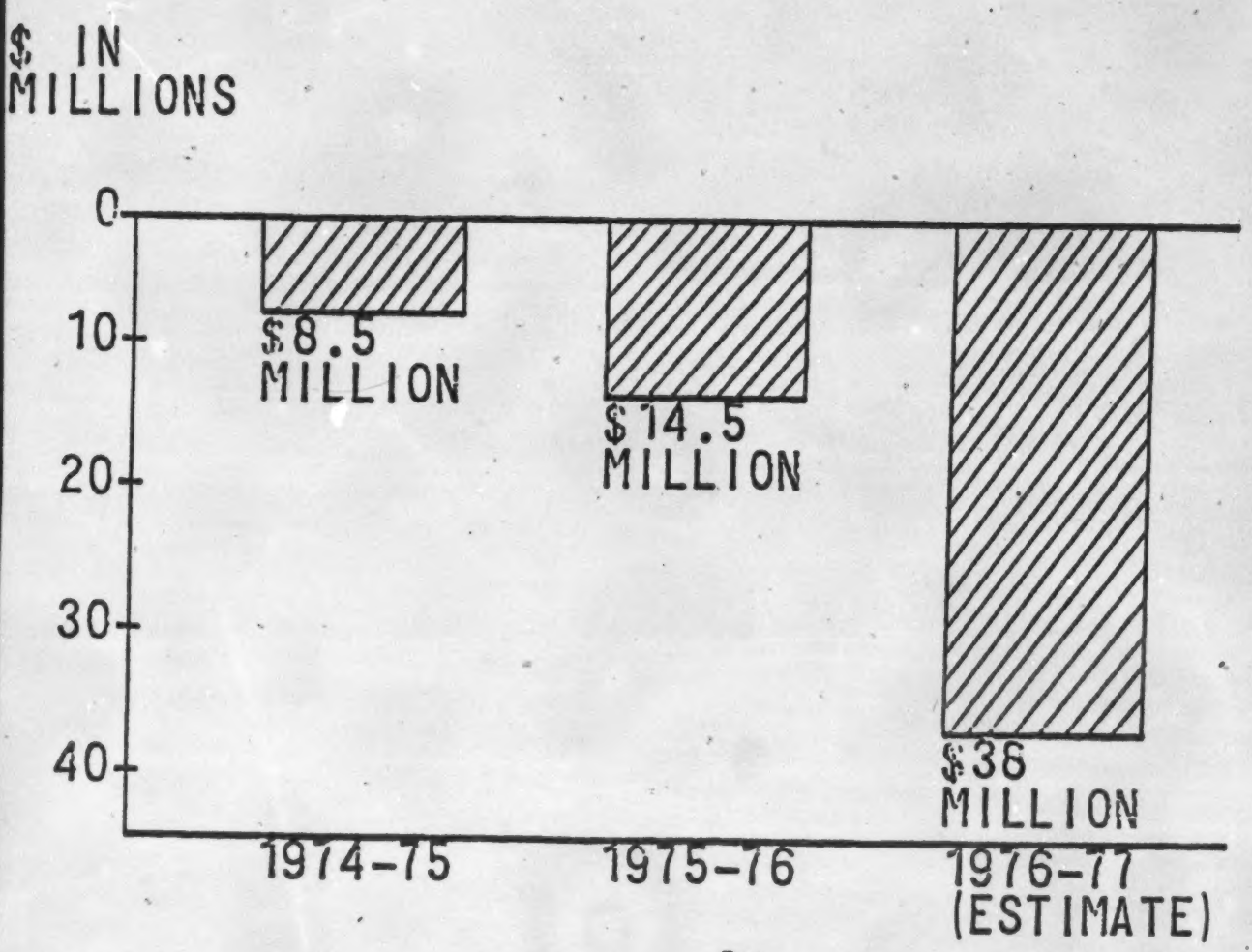
- It is difficult to generalize about the problem because it is not only different for various types of institutions, e.g., symphonies and museums, but it is different for institutions within a particular group. We can begin by reviewing a few key facts, and then go on to examine some of the reasons behind this state of affairs.

- Key facts:

  1. The financial problem of arts organizations is usually discussed in terms of an organization's operating deficit. This is the difference between, on the one hand, the organization's total expenditures, and, on the other, the total of earned and unearned income. If earned income added to unearned income is less than total expenses, a deficit arises. This, unfortunately, is the situation with most organizations.

  2. In a recent study of 900 institutions in New York State, a large percentage of which are in New York City, their total deficits increased from $8.5 million in 1974-75 to a projected $38.8 million in 1976-77, a rise of 400 percent in 3 years. During that period, both earned and unearned income increased, but not enough to keep up with increased costs. The chart opposite the next page graphically depicts the problem.

OPERATING DEFICITS OF ARTS INSTITUTIONS IN NEW YORK STATE (1974-75 TO 1976-77)



3. Individual examples of the crisis are in abundance--the Joffrey Ballet cancelling its spring season; the New York Shakespeare Festival leaving Lincoln Center; the Brooklyn Museum closing numerous galleries; and the American Ballet Theatre's decision to sell its Chagall sets to avoid bankruptcy are only a few.

There are several reasons offered for this crisis:

1. Inflation

Increases in earned and unearned income have not kept pace with increases in costs. For example:

(a) In the performing arts--which are highly labor intensive--costs are difficult to cut. You cannot cut the chorus in a performance of Beethoven's 9th or the fourth act in a performance of Hamlet. Seasons can be shortened and the number of productions can be reduced, but many argue that there is a limit to how far an institution can cut artistic program content and still remain viable.

(b) In the museum area, rising utility and maintenance costs have been particularly burdensome. Museums are also labor intensive, though not as much as performing arts organizations. Their response has been to close galleries, shorten hours and remain open fewer days.

2. Salaries

Until a few years ago, employees at arts and cultural institutions seemed content to work for relatively low wages. Lately, however, stringent demands by unions--particularly in the performing arts--have caused continued problems for administrators of institutions. The strike of musicians at the New York City Ballet last year is only the most recent example of employees unwilling to make sacrifices for the "institutional good."

3. Loss of Important Foundation Support

In the past few years, the Ford and Rockefeller Foundations--two leaders in the field--have drastically cut their arts budgets. Ford went from an average of $20 million per year to $4 million and Rockefeller from $3.5 million in the performing arts to $600,000. McGeorge Bundy, head of the Ford Foundation, was quoted in a recent article in the New York Times as saying, "Foundations are not the solution."

4. Poor Management

Incurring deficits on a regular basis and the practice of crisis management are characteristics of large numbers of cultural institutions.

5. Public Misconceptions

In a 1974 public opinion survey conducted by Associated Councils of the Arts, a substantial percentage of Americans thought the arts were either profit making or self supporting. This cannot help but make the building of a public constituency more difficult.

6. Underutilized Facilities and Performances

Arts institutions that operate at less than full capacity put additional pressure on finances.

7. Inadequate Federal Government Support

Even though the National Endowments for the Arts and Humanities have grown rapidly--to a combined budget of over $200 million for the coming year--the United States still provides the lowest amount of per capita support for the arts of any major western nation--including Canada. What is particularly distressing in this regard is that there is an almost universal opinion among arts professionals that the Federal government and only the Federal government can solve the crisis. Today, there is no evidence of any willingness on the part of Washington to do so.

National Endowment For The Arts

Expenditures by Program in Total and in New York City (1975)

	Total (000)	NYC (000)	% (000)
Architecture & Environment	$2652	$ 654	24.7
Dance	6127	2251	36.7
Education	4754	455	9.6
Expansion	5698	1368	24.0
Federal/State Partnership	14670	575	4.0
Literature	1747	820	46.9
Museums	10836	1413	13.1
Music	14895	2665	17.9
Public Media	5423	1479	27.3
Special Projects	3494	659	18.9
Theatre	6372	2343	36.8
Visual Arts	3199	694	21.7
	$79,867	$15,376	19.3

VIII. THE CONTRIBUTION OF THE NATIONAL ENDOWMENT FOR THE ARTS

The National Endowment for the Arts is a Federal agency created in 1965 which has grown yearly to a current budget size of over $100 million. The chart opposite shows the 1975 expenditures of the National Endowment for the Arts broken down by program.

Two points are worth mentioning. First is the strikingly large percentages that come to New York City in dance, literature and theater. Second is the continuing debate over whether New York City gets its fair share. Those who say that the City gets more than its fair share base their argument on the population of the City vis-a-vis the rest of the country. Those who say it gets less than its fair share base their argument on their perception of the City as the center of our nation's cultural life as well as on the huge investment in both people and property that exists here.

New York State Council on the Arts

Expenditures in New York City
(1976-77)

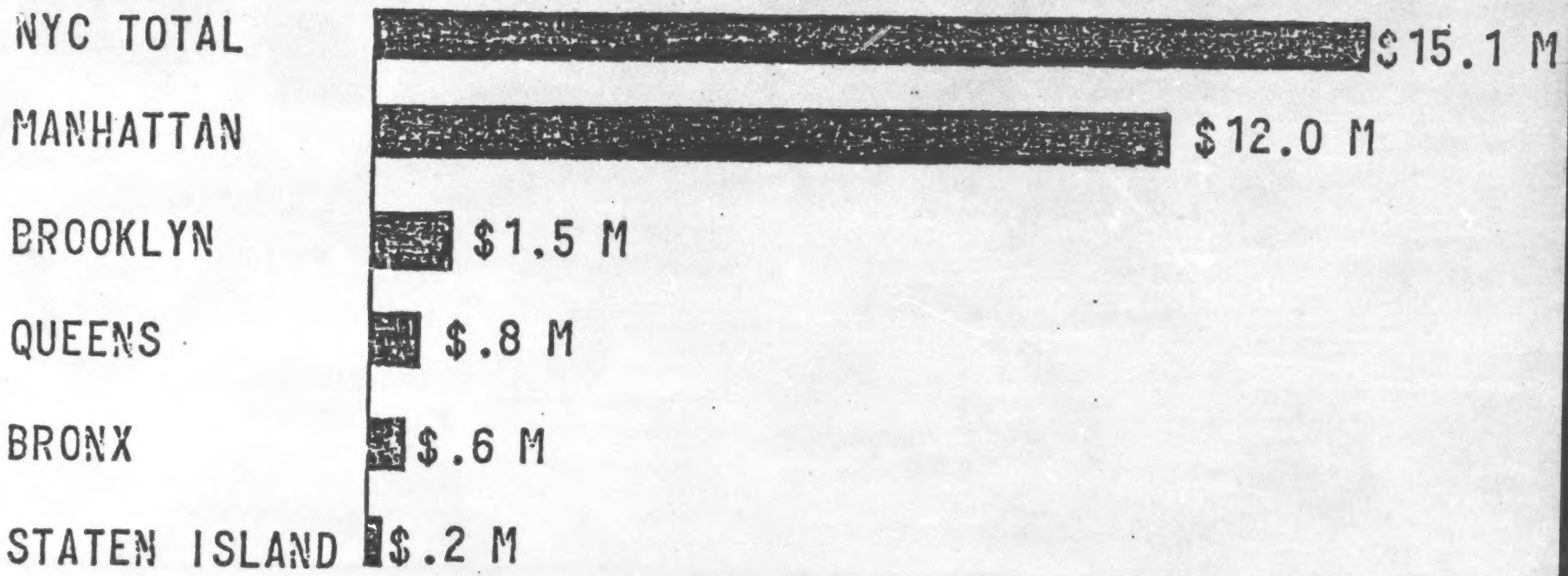
	$ (000)	% (000)
Architecture & Environment	241	1.6
Arts Service	618	4.1
Dance	2570	17.0
Film	475	3.1
Literature	94	.6
Museum Aid	3629	24.0
Music	3114	20.7
Special Programs	1715	11.3
Theatre	2199	14.5
Visual Arts	467	3.1
	$15,122	100.0%

IX. THE CONTRIBUTION OF THE NEW YORK STATE COUNCIL ON THE ARTS

The New York State Council on the Arts, with a budget of $27 million, is by far the largest of all State arts councils. Two points about this budget are worth mentioning:

(1) Over the past few years, the Council has awarded an average of 67 percent of its monies to New York City institutions. As illustrated in the chart opposite, over 75 percent of the monies that come to the City go to four programs--dance, museums, music, and theater.

STATE COUNCIL ON THE ARTS TOTAL GIVING IN NEW YORK CITY BY BOROUGH (1976-77)



(2) One of the most interesting aspects of the State Council's expenditures in New York City is the geographical distribution of the money. The chart opposite shows that, of all the money that came to New York City last year from the State Arts Council, 80 percent went to Manhattan. One could argue that most of the money should come to Manhattan because most of the institutions are there. On the other hand, the majority of New York City residents live in the other boroughs and there are many who feel that the allocation is inequitable.

X. THE CONTRIBUTION OF THE NEW YORK CITY GOVERNMENT

Since the late 19th century, when the City government agreed to underwrite the responsibility for constructing and maintaining museum facilities, the municipal government has provided direct financial assistance to cultural institutions. The assistance increased from $7 million in 1960 to almost $29 million in 1974. Because of the current fiscal crisis, it has dropped to $25 million for the coming year. This assistance takes several forms:

- Expense Budget Assistance to 22 Major Institutions

  --This group includes the museums, botanic gardens, performing arts centers, zoos and the library. They receive funds from the City's expense budget that reimburse them for maintenance, security and some administrative costs. (1977-78 appropriation--$22.3 million)

- Capital Budget Assistance to 23 Major Institutions

  --This group includes all institutions mentioned above plus Carnegie Hall. They receive capital budget support for repairs, renovation and new construction. (1977-78 appropriation--$1.1 million)

- Department of Cultural Affairs Program

  --The City's DCA provides both year-round support as well as summer program support for both small and large organizations. Examples include the Metropolitan Opera and New York Philharmonic for summer park programs; the Jazz-mobile; various ethnic museums and performing arts organizations; Borough Arts Councils; the July 4th Festivals; and the Annual New Year's Eve Party in Central Park. (1977-78 appropriation--$1.5 million)

- Provision of Services

  --It is difficult to place a dollar amount on this last category but it includes ancillary services like police and sanitation services for cultural events, processing of zoning and park permit requests, and time spent by other City agencies in facilitating cultural events.

XI. STRATEGY FOR THE ARTS & CULTURE PROGRAM AT THE NEW YORK COMMUNITY TRUST

We looked earlier at the composition of New York Community Trust's arts and culture grants. We saw that 88 percent of the monies were founder advised and designated and that only 12 percent were all purpose. The last analysis indicated that most of the monies were spent for general support.

General support is essential to institutions. When it is spent, however, the institution is often in no better condition than before it was received. Over the past several months, as we have learned more about the arts in general and reexamined the arts programs at The New York Community Trust, we have explored ways to spend our all-purpose grant monies with a more sharply-defined focus.

We believe that the arts and culture grants at the Trust should be looked upon as "investments" in the sense that a recipient will ideally be in an improved administrative, financial or artistic condition at the end of the grant period when contrasted to that which existed prior to the receipt of the grant.

Funds will be allocated with three objectives in mind (listed in no particular order):

- To increase the earned income of arts institutions. Over the past several years, corporations, foundations, government and individuals have greatly increased their support of the arts. At the same time, huge deficits, particularly in the performing arts, have continued to mount. The Trust is interested in projects that will increase the earned income base of institutions, e.g., subscription drives for theater, membership campaigns for museums.

- To increase the accessibility of arts institutions to non-users. This would include performing and/or visual arts programs in areas of the community which are underserved as well as exposing people previously "unexposed" to our City's cultural institutions.

- To encourage institutions to improve management of existing resources. This would include supporting arts service (technical assistance) organizations as well as cooperative efforts in subscription campaigns, space utilization, purchasing or other administrative functions.